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Author:

U.S. Congress. House.

Title:

Amendments of 1939 to
the National Housing Act

Place:

[Washington, D.C.]

Date:

[1939]

95-82420-9

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Washington, 1939.
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House. Report no. 313)

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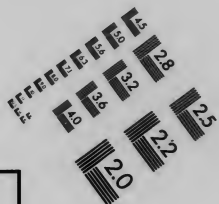


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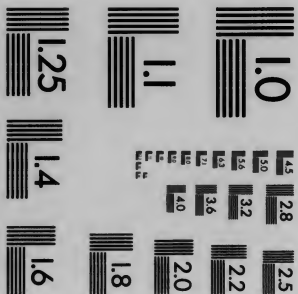
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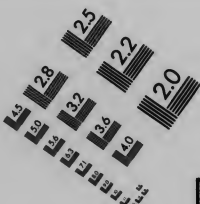
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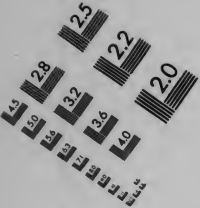
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U.S. CONG. HOUSE. COMMITTEE ON BANKING AND
CURRENCY.

AMENDMENTS OF 1939 TO THE NATIONAL HOUSING
ACT.

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76TH CONGRESS

1st Session

HOUSE OF REPRESENTATIVES

REPORT

No. 313

AMENDMENTS OF 1939 TO THE NATIONAL HOUSING ACT

MARCH 25, 1939.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. STEAGALL, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 5324]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 5324), having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

This bill (H. R. 5324) makes certain changes in the National Housing Act and extends certain functions of the National Housing Act which expire on July 1 next.

Title I of the present act expires on July 1 next and by this bill is extended with several changes to July 1, 1941.

Under this title the Administrator is authorized to insure approved lending institutions against loss up to 10 percent of loans made by them after the effective date of the bill for the purpose of financing alterations, repairs, and improvements of existing structures of all kinds and the building of new structures for residential or agricultural purposes. Under the present law the limit of repair loans which may be insured is \$10,000 and the limit of loans for new structures is \$2,500. Under this bill the limit of both classes of loans is put at \$2,500. A new provision is added to the title which authorizes the Administrator to make an annual premium charge for the insurance not in excess of 1 percent of the original amount of the loan. It was thought by the committee that if the Government is to continue to insure this class of loans that there shall be some contribution made by the lending institutions toward defraying the expenses of its operations.

Title II of the act, which is the title dealing with the insurance of mortgages, is amended in the following particulars:

The amount of insurance obligations of the Administrator, which may be outstanding at any time is, under the present law, limited to \$3,000,000,000. It was stated before the committee that this authorization probably would be used up by July 1, 1940, if the anticipated amount of new construction is realized. This estimate was based upon the present law, which eliminates mortgages on existing structures from insurance after July 1, 1939. In view of the fact that this bill extends the Administrator's authority to insure mortgages on existing structures up to July 1, 1941, it is probable that the present authorization will not last up to that date. The present act is amended by this bill to increase the amount of insurance which may be outstanding at any time from \$3,000,000,000 to \$4,000,000,000 with the approval of the President.

As stated above the date to which the Administrator is authorized to insure mortgages on existing structures is extended from July 1, 1939, the present date, to July 1, 1941. It is believed by the committee that to discontinue at this time insurance of mortgages on existing structures would have a bad effect on new construction in that it would tend to depreciate the market for the existing houses. Further than this, it is felt that the operations of the Federal Housing Administration has had a very substantial influence in the reduction of interest rates on home mortgages and the stabilization of the home mortgage market in general and for this reason the existing construction insurance should not be discontinued at this time.

Under the existing law 90-percent mortgages on small, newly constructed, owner-occupied houses are eligible for insurance although they may run for as much as 25 years instead of 20 years, which is the limitation on all other single-house mortgages. This provision of the law expires on July 1, 1939. Under the bill this limitation is stricken out and there is no definite date of termination of this provision.

There is added to the present law a new paragraph the effect of which is to make the insurance contract of the Administrator incontestable except for fraud or misrepresentation on the part of the insured mortgagee. This provision is similar in principle to provisions contained in all life-insurance policies. The question has many times been raised as to whether or not the determination of one Administrator as to the eligibility of a mortgage would be binding on some subsequent Administrator, notwithstanding the fact that premiums had been paid over a period of years. This criticism is particularly apposite because under the law an agency of the Government cannot be estopped from denying the validity of the contract of insurance as is true of private insurance companies. It is thought that this provision gives the lending institutions the protection to which they are in fairness entitled.

Under the present law it is provided that the Administrator may add to the debentures issued in exchange for foreclosed property a contribution toward foreclosure costs amounting to 2 percent of the unpaid principal of the mortgage, but not in excess of \$75 in the case of the foreclosure of a 90-percent mortgage prior to the time it has been reduced to 80 percent by payments. This provision expires on July 1, 1939, and is by the bill extended to July 1, 1941.

A new provision is added to the act which authorizes deeds of conveyance to property, which are acquired by the Administrator under the act, to be signed by an Assistant Administrator. Under the present law the Administrator has the right to designate any of his functions or duties, including this one, to any of his subordinates, but this is not satisfactory in the case of deeds because of the laws of most of the States which require a deed by an agent to be accompanied by a power of attorney signed by the principal, authorizing the agent to execute the deed. The result is that in every case of a conveyance the Administrator must personally sign either the deed or the power of attorney. In his absence from the city no conveyances can be executed in some of the jurisdictions. The amendment is, in the judgment of the committee, one that is necessary for the prompt and efficient administration of the act.

The bill repeals section 210 which was written into the act when the amendments were made in February 1938. The section authorizes the Administrator to insure mortgages on newly constructed, multifamily dwellings or groups of not less than 10 single-family dwellings in excess of \$16,000 and not in excess of \$200,000. The Administrator stated to the committee that he did not believe that this section should be continued in the act, because there were no controls or safeguards incorporated in this section similar to those which are incorporated in section 207, under which the Administrator can control the rents, income, and other operations of the property so as to prevent their being milked during the earlier periods of the loan.

Title III of the act, which provides for the establishment and supervision of national mortgage associations by the Administrator, is amended so as to give the Administrator the authority to control the number of national mortgage associations which may be organized under the title.

Without this amendment it is doubtful whether or not the Administrator has the authority to refuse to charter a national mortgage association, if the organizers comply with the provisions of the statute. The committee feels that it would be a serious mistake to leave the act in such state that the Administrator would have to charter these associations indiscriminately and without regard to the need for them with the danger that there might be outstanding a large number of issues of debentures which would not be properly supported in the market, and would lead to a repetition of our experience with the joint stock land banks.

Title III is also amended to permit national mortgage associations to conduct their business in the District of Columbia, Alaska, Hawaii, and Puerto Rico, as well as in the States of the Union as in the present law.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman.

INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a) The Administrator is authorized and empowered, upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions which the Administrator finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them [on and after the date of the enactment of the National Housing Act Amendments of 1938 and prior to July 1, 1939, or such earlier date as the President may fix by proclamation upon his determination that there no longer exists any necessity for such insurance in order to make ample credit available,] *subsequent to the date this section, as amended, takes effect, and prior to July 1, 1941, for the purpose of financing alterations, repairs, and improvements upon or in connection with existing structures, and the building of new structures, upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, cyclone, flood, or other catastrophe), by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit. In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes [on and after the date of the enactment of the National Housing Act Amendments of 1938] subsequent to the date this section, as amended, takes effect, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, less the amount collected from insurance premiums and deposited in the Treasury of the United States under the provisions of subsection (f) of this section, shall not exceed in the aggregate \$100,000,000.*

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by [it,] *if (1) if the amount of such loan, advance of credit, or purchase exceeds \$10,000 with respect to loans, advances, or purchases for financing repairs, alterations, or improvements upon or in connection with existing structures, or exceeds \$2,500 with respect to loans, advances, or purchases for financing the building of new structures, nor \$2,500, or (2) if such obligation has a maturity in excess of three years and thirty-two days, unless such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for residential or agricultural purposes, or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe in order to make credit available for the purposes of this title.*

(c) Notwithstanding any other provision of law, the Administrator shall have the power, under regulations to be prescribed by him and approved by the Secretary of the Treasury, to assign or sell at public or private sale, or otherwise dispose of, any evidence of debt, contract, claim, property, or security assigned to or held by him in connection with the payment of insurance heretofore or hereafter granted under this section, and to collect or compromise all obligations assigned to or held by him and all legal or equitable rights accruing to him in connection with the payment of such insurance until such time as such obligations may be referred to the Attorney General for suit or collection.

(d) The Administrator is authorized and empowered, under such regulations as he may prescribe, to transfer to any such approved financial institution any insurance in connection with any loans and advances of credit which may be sold to it by another approved financial institution.

(e) The Administrator is authorized to waive compliance with regulations heretofore or hereafter prescribed by him with respect to the interest and maturity of and the terms, conditions, and restrictions under which loans, advances of credit, and purchases may be insured under this section and section 6, if in his judgment the enforcement of such regulations would impose an injustice upon an insured institution which has substantially complied with such regulations in good faith and refunded or credited any excess charge made, and where such waiver does not involve an increase of the obligation of the Administrator beyond the obligation which would have been involved if the regulations had been fully complied with.

(f) *The Administrator shall fix a premium charge for the insurance hereafter granted under this title, but in the case of any obligation representing any loan, advance of credit, or purchase, such premium charge shall not exceed an amount equivalent to 1 per centum per annum of the net proceeds of such loan, advance of credit, or purchase, for the term of such obligation, and such premium charge shall be payable in advance by the financial institution and shall be paid at such time and in such manner as may be prescribed by the Administrator. The moneys derived from such premium charges shall be deposited in an account in the Treasury of the United States, which account shall be available for defraying the operating expenses of the Federal Housing Administration under this title, and any amounts in such account which are not needed for such purpose may be used for the payment of claims in connection with the insurance granted under this title.*

(g) *The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.*

* * * * *

SEC. 6. (a) The Administrator is authorized and empowered, upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, heretofore or hereafter approved by the Administrator as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them subsequent to the date this section takes effect and prior to July 1, 1939, or such earlier date as the President may fix by proclamation upon his determination that the emergency no longer exists, for the purpose of financing, by the owners of real property or by lessees thereof under a lease for a period of not less than one year, the restoration, rehabilitation, rebuilding, and replacement of improvements on such real property and equipment and machinery thereon which were damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935, 1936, 1937, 1938, or 1939, either on the same site or on a new site in the same locality where the damaged or destroyed property was located. The Administrator is authorized to grant insurance under this section, as amended, to any such financial institution up to 20 per centum of the total amount of loans, advances of credit, and purchases made by such financial institution for such purposes, and any insurance reserve accumulated by any such financial institution under section 2 of this title shall be applicable to the payment of any losses sustained by it as a result of loans, advances of credit or purchases insured under this section.

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) unless the loan bears such interest, has such maturity, and contains such other terms, conditions, and restrictions, as the Administrator shall prescribe in order to make credit available for the purposes of this section; and (2) unless the amount of such loan, advance of credit, or purchase is not in excess of \$2,000, except that in the case of any such loan, advance of credit, or purchase made for the purpose of such financing with respect to apartment or multiple family houses, hotels, office, business or other commercial buildings, hospitals, orphanages, colleges, schools, churches, or manufacturing or industrial plants, such insurance may be granted if the amount of the loan, advance of credit, or purchase is not in excess of \$50,000.]

INSURANCE OF MORTGAGES

SEC. 203. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided, That the aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$2,000,000,000; \$3,000,000,000, except that with the approval of the President such aggregate amount may be increased to not to exceed \$3,000,000,000; \$4,000,000,000: Provided further, That on and after July 1, [1939] 1941, no mortgages shall be insured under this title except mortgages [(1)] that cover property which is approved for mortgage insurance prior to the completion of the construction of*

such [property, or (2) that cover property the construction of which was commenced after January 1, 1937, and was completed prior to July 1, 1939, or (3) that cover property which has been previously covered by a mortgage insured by the Administrator.] *property.*

(b) To be eligible for insurance under this section a mortgage shall—

(1) Have been made to, and be held by, a mortgagee approved by the Administrator as responsible and able to service the mortgage properly.

(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount—

(A) not to exceed \$16,000 and not to exceed 80 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling or dwellings designed principally for residential use for not more than four families in the aggregate, irrespective of whether such dwelling or dwellings have a party wall or are otherwise physically connected with another dwelling or dwellings, or

(B) not to exceed \$5,400 and not to exceed 90 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property, urban, suburban, or rural, upon which there is located a dwelling designed principally for a single-family residence (i) the construction of which is begun after the date of enactment of the National Housing Act Amendments of 1938 and which is approved for mortgage insurance prior to the beginning of construction, or (ii) the construction of which was begun after January 1, 1937, and prior to the date of enactment of the National Housing Amendments of 1938, and which has not been sold or occupied since completion: *Provided*, That with respect to mortgages insured under this paragraph the mortgagor shall be the owner and occupant of the property at the time of the insurance and shall have paid on account of the property at least 10 per centum of the appraised value in cash or its equivalent, or

(C) not to exceed \$8,600, and not to exceed the sum of (i) 90 per centum of \$6,000 of the appraised value (as of the date the mortgage is accepted for insurance) and (ii) 80 per centum of such value in excess of \$6,000 and not in excess of \$10,000, of a property of the character described in paragraph (2) (B) of this subsection and subject to the same limitations and conditions which apply to such property.

(3) Have a maturity satisfactory to the Administrator, but not to exceed twenty years from the date of the insurance of the mortgage: *Provided*, That *within* [July 1, 1939,] a mortgage of the character described in paragraph (2)

(B) of this subsection shall be eligible for insurance under this section if it has a maturity satisfactory to the Administrator, but not to exceed twenty-five years from the date of the insurance of the mortgage.

(4) Contain complete amortization provisions satisfactory to the Administrator requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Administrator.

(5) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 per centum per annum if the Administrator finds that in certain areas or under special circumstances the mortgage market demands it.

(6) Provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage.

(7) Contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

(8) *Any contract of insurance heretofore or hereafter executed by the Administrator under this title shall be conclusive evidence of the eligibility of the mortgage for insurance and render the validity of such contract of insurance incontestable in the hands of an approved mortgagee from the date of such execution, except for fraud or misrepresentation on the part of the insured mortgagee.*

(c) The Administrator is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor

more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments: *Provided*, That a premium charge so fixed and computed shall also be applicable to each mortgage insured prior to the date of enactment of the National Housing Act Amendments of 1938 in lieu of any premium charge which would otherwise become due after such date with respect to such mortgage: *Provided further*, That in the case of any mortgage described in section 203 (b) (2) (B) and accepted for insurance after such date and prior to July 1, 1939, the premium charge shall be one-fourth of 1 per centum per annum on such outstanding principal obligation. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Administrator under this title at par plus accrued interest, in such manner as may be prescribed by the Administrator: *Provided*, That the Administrator may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Administrator finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Administrator may prescribe; but no mortgage shall be accepted for insurance under this section unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this section or section 210 is paid in full prior to the maturity date, the Administrator is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, and a mortgage on the same property is accepted for insurance at the time of such payment, the Administrator is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

(d) The Administrator is authorized to insure, pursuant to the provisions of this section, any mortgage which (A) covers a farm upon which a farm house or other farm buildings are to be constructed or repaired, and (B) otherwise would be eligible for insurance under the provisions of paragraph (b) of this section: *Provided*, That the construction and repairs to be undertaken on such farm shall involve the expenditure for materials and labor of an amount not less than 15 per centum of the total principal obligation of said mortgage.

(e) *No mortgage which in whole or in part refinances a then existing mortgage shall be insured under this section unless the mortgagor files with the application his certificate to the Administrator that prior to the making of the application the mortgagor applied to the holder of such existing mortgage and that, after reasonable opportunity, such holder failed or refused to make a loan of a like amount and at as favorable an annual cost to the mortgagor, including amortization provisions, commission, interest rate, and costs to the mortgagor for legal services, appraisal fees, title expenses, and similar charges as those of the loan secured by the mortgage offered for insurance.*

Sec. 204. (a) In any case in which the mortgagee under a mortgage insured under section 203 or section 210 shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Administrator of title to the property which meets the requirements of rules and regulations of the Administrator in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Administrator. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Administrator shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall

be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, [Special assessments, water rates, which are liens prior to the mortgage, insurance on the property mortgaged,] *ground rents, and water rates, which are liens prior to the mortgage, and special assessments which either become liens after the date of the insurance of the mortgage or which are noted on the application for insurance, insurance on the mortgaged property, and any mortgage insurance premiums paid after either of such dates, and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: Provided, That with respect to mortgages which are accepted for insurance prior to July 1, [1939] 1941, under section 203 (b) (2) (B) of this Act, and which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator an amount not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75.*

(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section: *Provided, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of the Administrator deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real property or any interest therein heretofore or hereafter acquired by the Administrator pursuant to the provisions of this Act, may be exercised by the Administrator or by any Assistant Administrator appointed by him, without the execution of any express delegation of power or power of attorney: Provided, That nothing in this subsection shall be construed to prevent the Administrator from delegating such power by order or by power of attorney, in his discretion, to any officer, agent, or employee he may appoint.*

ADDITIONAL HOUSING INSURANCE

[SEC. 210. (a) In addition to mortgages insured under sections 203 and 207 the Administrator is authorized to insure mortgages as defined in section 207 (a) (1), including advances on such mortgages during construction, covering property upon which there is located or upon which there is to be constructed one or more multifamily dwellings or a group of not less than ten single-family dwellings: *Provided, That the property shall have been approved for mortgage insurance prior to the beginning of construction.*

[(b) To be eligible for insurance under this section a mortgage shall—

[(1) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount in excess of \$16,000 but not in excess of \$200,000 and not in excess of 80 per centum of the amount which the Administrator estimates will be the value of the property when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,150 per room.

[(2) Have a maturity satisfactory to the Administrator, but not to exceed twenty-one years and contain complete amortization provisions satisfactory to the Administrator.

[(3) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time.

[(4) Contain such terms, conditions, and provisions with respect to advances during construction, assurance of completion, recognition of equitable rights of contract purchasers in good standing, release of part of the mortgaged premises from the lien of the mortgage, insurance, repairs, alterations, payment of taxes, default and management reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.]

[NOTE: While sec. 11 of the bill repeals sec. 210, the Administrator is authorized by such sec. 11 to insure under sec. 210 any mortgage for the insurance of which an application has been filed with him prior to the effective date of the bill.]

(SEC. 301): (b) Any number of natural persons, not less than five, may apply to the Administrator for authority to establish a national mortgage association, and at the time of such application shall transmit to the Administrator articles of association, signed and sealed by each of the incorporators and acknowledged before a judge of any court of record or a notary public, which shall contain (1) the name of the association, (2) the place where its principal office or place of business is to be located, and (3) such information with respect to its capital stock as the Administrator may by regulation require. If the Administrator is of the opinion that the establishment of such an association is desirable to provide a market for mortgages insured under title II and is in the public interest, that the incorporators transmitting the articles of association are responsible [persons] persons, and that such articles of association are satisfactory in all respects, he [shall] may issue or cause to be issued to such incorporators a certificate of approval, and the association shall become, as of the date of issuance of such certificate, a body corporate by the name set forth in its articles of association.

(c) Each national mortgage association created under this section shall have succession from the date of its organization unless it is dissolved by act of its shareholders, or its franchise becomes forfeited by order of the Administrator as hereinafter provided, or it is dissolved by Act of Congress, and shall have power—

(4) To conduct its business in any State of the United States or in the District of [Columbia] Columbia, Alaska, Hawaii, or Puerto Rico and to have one or more offices in such [State] States or in the District of Columbia, Alaska, Hawaii, or Puerto Rico, one of which offices shall be designated at the time of organization as its principal office.

NOV 24 1939

76TH CONGRESS }
1st Session }

HOUSE OF REPRESENTATIVES

{ REPT. 313
Part 2 }

AMENDMENTS OF 1939 TO THE NATIONAL HOUSING ACT

MARCH 27, 1939.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. LUCE, from the Committee on Banking and Currency, submitted the following

MINORITY VIEWS

[To accompany H. R. 5324]

Minority views on the bill (H. R. 5324) to amend the National Housing Act, and for other purposes:

The worst thing about this bill is that it keeps the Government in the real-estate mortgage business for 2 years more. Less than a year and a half ago the President suggested, in a message, that eventually mortgaging should be restricted to new homes, and Administrator McDonald, of the Federal Housing Administration (known as the F. H. A.), said the next day to the Committee on Banking and Currency that "we desire to eliminate the financing of existing construction," and spoke with apparent approval of July 1, 1939, as specified in the law, for the date when it would be stopped. Now the door for continuance is to be left open 2 years more.

This means that the Government will continue its policy of lending money to owners of existing homes upon easier terms than those of the thrift institutions of the country, which would not dare to meet them even if State laws did not prevent it, as is widely the case. The Government would continue to play loaded dice with \$1,000,000,000 more of capital.

Naturally the thrift institutions, the building and loan associations, the cooperative banks, the mutual savings banks, all are in danger. Their Federal guardian, so to speak, the Federal Home Loan Bank Board and its subsidiary, the Home Owners' Loan Corporation (known as the H. O. L. C.), through Chairman John H. Fahey, protest vigorously.

This alinement of one Federal agency against another relieves the problem of all partisan flavor. The straight-out question is, Which agency is right? We believe Mr. Fahey has the better of it and, therefore, we urge that the time has come to stop.

FEB 21 1940 PCR

We are greatly concerned with the probable losses to be sustained by the Government on the large units insured. It has been demonstrated that the 20-percent equity supposedly furnished consists of startling write-ups of land values, fees, and costs of financing allowed by the Federal Housing Administration. These buildings are too often erected in places already overbuilt and where there is no need of further housing. The promoters are too often actuated by hope of profit in the construction alone. Subcontractors seem to make estimates too high to obtain the mortgage insurance. It is probably impossible for Federal Housing Administration supervisors to refute these estimates. According to the testimony of the Administrator, great pressure has been brought upon him to approve these projects. On the other hand real-estate boards and chambers of commerce protest that their effect on real estate in general is demoralizing. While the bill repeals the provision, in section 210, for multifamily dwellings, it does not repeal section 207 for the larger projects. It permits insuring of mortgages where application has been filed before the effective date of the act. In our judgment this permission is unwise, and that section 207 should be repealed.

ROBERT LUCE.
CHARLES L. GIFFORD.
WILLIAM J. MILLER.
RICHARD M. SIMPSON.

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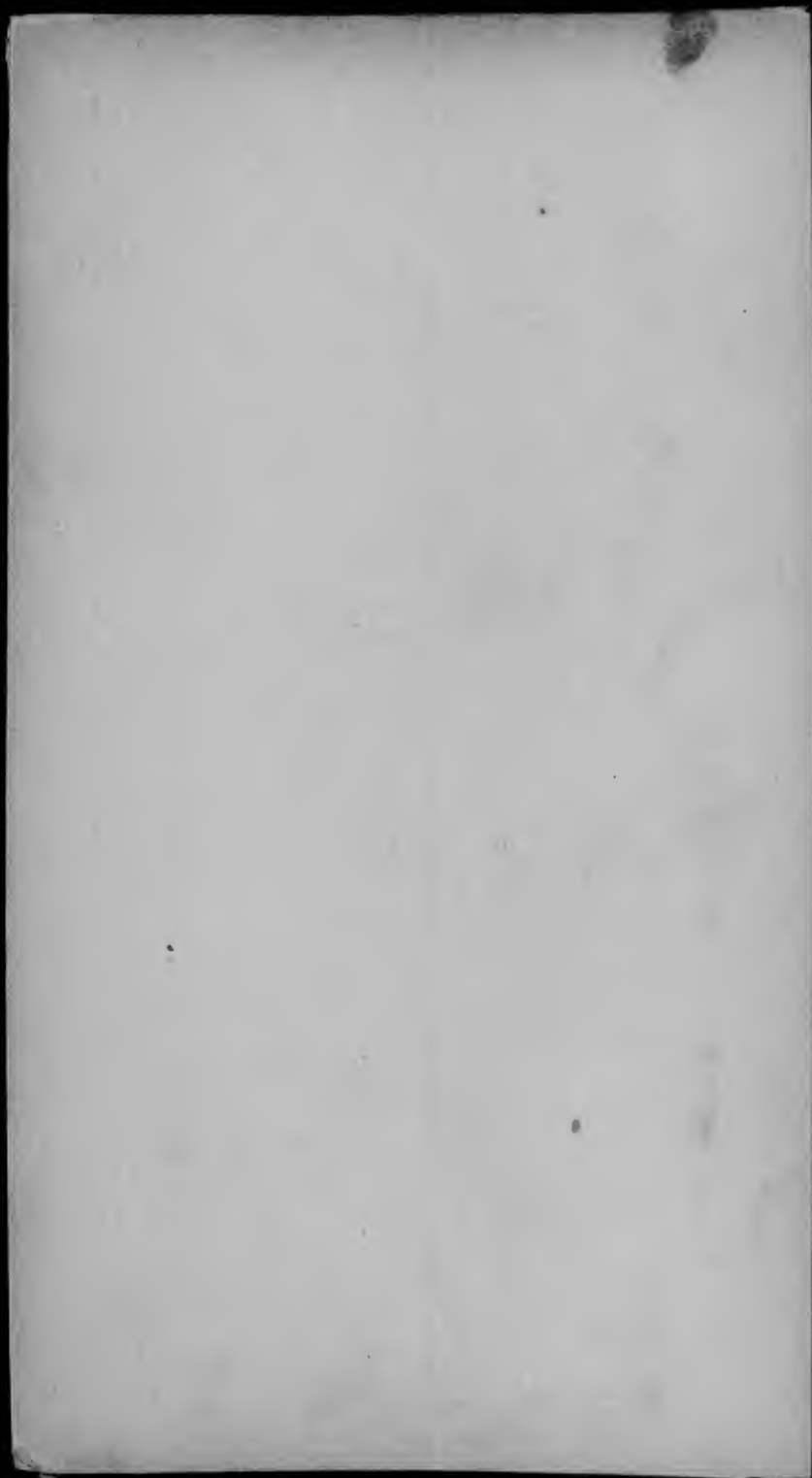
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